

1 AN ACT concerning bonds.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The General Obligation Bond Act is amended by
5 changing Section 9 as follows:

6 (30 ILCS 330/9) (from Ch. 127, par. 659)

7 Sec. 9. Conditions for Issuance and Sale of Bonds -
8 Requirements for Bonds.

9 (a) Bonds shall be issued and sold from time to time, in
10 one or more series, in such amounts and at such prices as may
11 be directed by the Governor, upon recommendation by the
12 Director of the Governor's Office of Management and Budget
13 ~~Bureau of the Budget~~. Bonds shall be in such form (either
14 coupon, registered or book entry), in such denominations,
15 payable within 30 years from their date, subject to such terms
16 of redemption with or without premium, bear interest payable at
17 such times and at such fixed or variable rate or rates, and be
18 dated as shall be fixed and determined by the Director of the
19 Governor's Office of Management and Budget ~~Bureau of the Budget~~
20 in the order authorizing the issuance and sale of any series of
21 Bonds, which order shall be approved by the Governor and is
22 herein called a "Bond Sale Order"; provided however, that
23 interest payable at fixed or variable rates shall not exceed
24 that permitted in the Bond Authorization Act, as now or
25 hereafter amended. Bonds shall be payable at such place or
26 places, within or without the State of Illinois, and may be
27 made registrable as to either principal or as to both principal
28 and interest, as shall be specified in the Bond Sale Order.
29 Bonds may be callable or subject to purchase and retirement or
30 tender and remarketing as fixed and determined in the Bond Sale
31 Order.

32 In the case of any series of Bonds bearing interest at a

1 variable interest rate ("Variable Rate Bonds"), in lieu of
2 determining the rate or rates at which such series of Variable
3 Rate Bonds shall bear interest and the price or prices at which
4 such Variable Rate Bonds shall be initially sold or remarketed
5 (in the event of purchase and subsequent resale), the Bond Sale
6 Order may provide that such interest rates and prices may vary
7 from time to time depending on criteria established in such
8 Bond Sale Order, which criteria may include, without
9 limitation, references to indices or variations in interest
10 rates as may, in the judgment of a remarketing agent, be
11 necessary to cause Variable Rate Bonds of such series to be
12 remarketable from time to time at a price equal to their
13 principal amount, and may provide for appointment of a bank,
14 trust company, investment bank, or other financial institution
15 to serve as remarketing agent in that connection. The Bond Sale
16 Order may provide that alternative interest rates or provisions
17 for establishing alternative interest rates, different
18 security or claim priorities, or different call or amortization
19 provisions will apply during such times as Variable Rate Bonds
20 of any series are held by a person providing credit or
21 liquidity enhancement arrangements for such Bonds as
22 authorized in subsection (b) of this Section. The Bond Sale
23 Order may also provide for such variable interest rates to be
24 established pursuant to a process generally known as an auction
25 rate process and may provide for appointment of one or more
26 financial institutions to serve as auction agents and
27 broker-dealers in connection with the establishment of such
28 interest rates and the sale and remarketing of such Bonds.

29 (b) In connection with the issuance of any series of Bonds,
30 the State may enter into arrangements to provide additional
31 security and liquidity for such Bonds, including, without
32 limitation, bond or interest rate insurance or letters of
33 credit, lines of credit, bond purchase contracts, or other
34 arrangements whereby funds are made available to retire or
35 purchase Bonds, thereby assuring the ability of owners of the
36 Bonds to sell or redeem their Bonds. The State may enter into

1 contracts and may agree to pay fees to persons providing such
2 arrangements, but only under circumstances where the Director
3 of the Governor's Office of Management and Budget ~~Bureau of the~~
4 ~~Budget~~ certifies that he or she reasonably expects the total
5 interest paid or to be paid on the Bonds, together with the
6 fees for the arrangements (being treated as if interest), would
7 not, taken together, cause the Bonds to bear interest,
8 calculated to their stated maturity, at a rate in excess of the
9 rate that the Bonds would bear in the absence of such
10 arrangements.

11 The State may, with respect to Bonds issued or anticipated
12 to be issued, participate in and enter into arrangements with
13 respect to interest rate protection or exchange agreements,
14 guarantees, or financial futures contracts for the purpose of
15 limiting, reducing, or managing ~~or restricting~~ interest rate
16 exposure risk. The authority granted under this paragraph,
17 however, shall not increase the principal amount of Bonds
18 authorized to be issued by law. The arrangements may be
19 executed and delivered by the Director of the Governor's Office
20 of Management and Budget ~~Bureau of the Budget~~ on behalf of the
21 State. Net payments for such arrangements shall constitute
22 interest on the Bonds and shall be paid from the General
23 Obligation Bond Retirement and Interest Fund. The Director of
24 the Governor's Office of Management and Budget ~~Bureau of the~~
25 ~~Budget~~ shall at least annually certify to the Governor and the
26 State Comptroller his or her estimate of the amounts of such
27 net payments to be included in the calculation of interest
28 required to be paid by the State.

29 (c) Prior to the issuance of any Variable Rate Bonds
30 pursuant to subsection (a), the Director of the Governor's
31 Office of Management and Budget ~~Bureau of the Budget~~ shall
32 adopt an interest rate risk management policy providing that
33 the amount of the State's variable rate exposure with respect
34 to Bonds shall not exceed 20%. This policy shall remain in
35 effect while any Bonds are outstanding and the issuance of
36 Bonds shall be subject to the terms of such policy. The terms

1 of this policy may be amended from time to time by the Director
2 of the Governor's Office of Management and Budget ~~Bureau of the~~
3 ~~Budget~~ but in no event shall any amendment cause the permitted
4 level of the State's variable rate exposure with respect to
5 Bonds to exceed 20%.

6 (Source: P.A. 92-16, eff. 6-28-01; 93-9, eff. 6-3-03; revised
7 8-23-03.)

8 Section 99. Effective date. This Act takes effect upon
9 becoming law.